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May 29, 1950

UNDER SECRETARY'S MEETING

Current Relations with Guatemala

The attached paper, prepared in ARA, is circulated for information and discussion. The present policy has already been determined in ARA but because of the unusual interest expressed on the Hill and elsewhere they are seeking the concurrence of Mr. Webb and a discussion of the matter in the Under Secretary's Meeting.

The paper describes the present unsatisfactory situation in Guatemala due partly to the Communist influence in labor unions and government. It traces the origins of the trouble and the role played by the United Fruit Company. It states the U.S. policy of isolating the Communists from other political forces and counselling caution and moderation in carrying out social reforms.

W. J. McWilliams

Attachments:

Tab A - ARA Study of Communist Penetration in Guatemala

Tab B - Memorandum of Conversation with the Guatemalan Ambassador

POLICY PLANNING STAFF

MAY 31 1950

Department of State

CONFIDENTIAL

Current Relations with Guatemala

Problem

To Assess our Current Relations with Guatemala.

Background

For the past several years there has been developing in Guatemala a situation which the Department has viewed with concern. An excessive nationalism, which has manifested itself by a hostile attitude toward private United States companies operating in Guatemala, a proclivity on the part of a weak President and others in the government for fuzzy economic and political philosophies and an unsurge of the influence of international communism of the Latin American variety, which has taken full advantage of the first two factors, have combined to create this situation.

For a clear understanding of the Guatemalan problem, one must take into account the history of the Republic. Guatemalan politics have always been turbulent and unstable. With one or two exceptions the Republic has been ruled since its independence in 1829 by dictators, some of them notorious for their cruelty and methods of ruthless repression. The social system, inherited from the Spaniards, has for centuries been feudal, with the white population regarding the Indians, who comprise two-thirds of the total population, as vastly inferior beings and treating them accordingly. There have long been wide cleavages in the distribution of wealth with a resulting low standard of living for the masses. Foreign companies, through arrangements favorable to the dictator in power at the moment, have been able in the past to obtain large concessions and special privileges.

In 1944 one of the most ruthless of all Guatemalan dictators was overthrown by what amounted to a truly popular uprising supported by all segments of the population. Popular elections followed, and Juan Jose Arevalo, a liberal and progressive-minded ex-teacher, was elected President by an overwhelming popular vote.

Shortly thereafter Guatemala embarked on a social, economic and political program which in general terms aimed at improving the standard of living of the masses, protecting them from the abuses of the old feudal system, and achieving freedom and democracy for the Guatemalan people.

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This program was at its outset commendable. By and large, there was freedom of speech and of the press. There were few political exiles. The government instituted a system of social security which was efficiently and honestly run. In order to futher the cause of the workers it enacted labor legislation and sponsored the formation of labor unions.

Soon, however, the government's pro-labor attitude, especially as expressed in the Labor Code and its administration, brought the government into direct conflict with the U.S.-owned United Fruit Company, the largest single employer in the country. This conflict was aggravated by a nationalistic tendency on the part of labor and key government officials and by the influence of international communism in the labor movement and in pro-government circles. The United Fruit Company, for whom there is a deep-seated mistrust on the part of many Guatemalans because of its size, prosperity, past policies and foreign ownership, fought important sections of the Labor Code on the grounds that they were discriminatory against it. This resistance brought charges that the Company was both anti-national and anti-labor. Although there were differences of opinion in the Department itself as to whether the stand of the United Fruit Company in regard to these sections was legally justified, the Department made representations to the Guatemalan Government on behalf of the United Fruit Company, seeking for it what we regarded as just and equitable treatment under the law. As a consequence of its position the United Fruit Company was soon portrayed as the arch enemy of Guatemalan "democracy" and the Revolution; the United States Government, because of its support of the United Fruit Company and other United States interests which later on became involved in similar labor conflicts, also became in the eyes of many an enemy of the revolution.

The United States found itself opposed to certain Guatemalan policies in the international field also. The intense feeling on the part of Guatemalans against dictatorships manifested itself in the Guatemalan Government's sponsorship and assistance to the so-called "Caribbean Legion". This was a group of political malcontents dedicated to the overthrow of "dictatorship" governments such as those of General Somoza and Trujillo. The Guatemalan Government supported this movement financially as well as ideologically, and as a result has been one of the principal causes of unrest and instability in the Caribbean. Recently Guatemala was named by an investigating committee of the OAS as one of the countries responsible for this deplorable situation in the Caribbean area.

Another

Another important factor which has influenced the climate of political opinion in Guatemala, especially vis-a-vis the United States and United States' interests, has been the degree to which international communism has penetrated into Guatemala. A mimeographed study of communist penetration in Guatemala prepared by ARA for Mr. Kennan (Tab A) is attached. Through the inter-American labor federation of pro-communist Vicente Lombardo Toledano, they have succeeded in seizing tight control of the labor unions. They have also, to some extent, gained an important foothold in two of the three pro-government political parties. Also, they have managed to infiltrate into certain governmental positions. While it is not considered that the Communists control the government at this time, their influence is considerable and should not be underestimated.

As a result of the developments described above our relations with Guatemala have gradually deteriorated over the past several years. Recently relations reached a low point when on March 24 the Guatemalan Government requested the recall of our Ambassador, the Honorable Richard C. Patterson, Jr., on the grounds that he had been intervening in Guatemala's internal affairs. The Department categorically rejected these charges.

Past and Present Policy Towards Guatemala

At the inception of the present government of Guatemala the Department looked with favor upon its attempts to achieve a form of democratic government and to introduce needed social reforms. As the influence of the extreme nationalists and the Communists became preponderant and the United States companies and the United States itself became the prime targets for attack, however, the Department has attempted, through diplomatic and private channels, to persuade the Guatemalan Government that its nationalistic policies are not only contrary to United States interests but to the best interests of the Guatemalan Government and the Guatemalan people as well. We have carefully attempted to make it clear that we do not oppose progressive social reforms as such but merely counsel caution and moderation. We have sought what we regard as just treatment for United States' interests in Guatemala and have endeavored to convince the Guatemalans that the disputes between United States companies and the labor unions should be kept on the basis of an employer-employee relationship and that nationalistic jingoism should not be allowed to confuse the issue to the detriment of United States-Guatemalan relations.

In the international field we have endeavored to persuade the Guatemalan Government that it should abandon its Caribbean

Legion

Legion activities and honor its commitments to preserve the peace of the hemisphere. We have consistently urged the Guatemalan Government to ratify the Rio Treaty which it has not as yet done.

With regard to the present situation, the Department has considered such action as placing the case before the Organization of American States, withdrawing technical assistance programs and imposing unilateral sanctions. It has concluded, however, that such action is not justified at this time because (1) United States interests, in spite of the attacks they have been subjected to, have suffered no serious harm and are still intact and operating, (2) Guatemala is presently engaged in a bitter internal presidential election campaign, the results of which cannot be predicted at this time, and (3) while it is true that the Communists are influential both within the Government and without, especially in the labor unions, they do not hold key positions in the government, and there is still reason to hope that they may be repudiated by the more responsible elements of Guatemala.

For the present, therefore, the Department has adopted a policy the aim of which is to reduce and destroy the influence of the Communists and extremists by bringing about their isolation from other political forces and by making moderate groups aware of the real harm being done to United States-Guatemalan relationships by present trends in that country. To that end we desire to avoid actions or statements which tend to throw Communist and non-Communist elements together by providing an issue of "foreign pressure", which the moderates would have to join in opposing or find themselves in the politically untenable position of being labelled unpatriotic.

It is intended that this policy be accomplished by means of frank and open discussions of the problem by Department officials, both here in Washington with the Guatemalan Ambassador and in Guatemala with the President, the Foreign Minister and other officials as well as with responsible persons outside of the government. We are continuing existing cooperative technical assistance programs for the present, putting the onus on the Guatemalans for their continuation in the future, but are not authorizing new programs. An example of the type of approach we are utilizing is shown in the attached copy of a memorandum of conversation between an official of the Office of Middle American Affairs and the Guatemalan Ambassador dated May 12 (Tab B). We have outlined this policy fully in a telegram to our Chargé d'Affaires dated May 5, 1950 and have authorized him to follow this line in talking to officials locally.

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Such an approach on our part admittedly will require patience and involves certain risks, but we believe it offers the best chance of discrediting extremist influence in Guatemala and bringing an eventual return to good relations based on considerations of mutual respect. We would emphasize, however, that there is no disposition to regard the communist threat or the overall situation in Guatemala as other than serious and that the policy outlined above is one designed to meet the current situation only. Further deterioration in relations would very probably require a re-evaluation and revision of the present policy.

Recommendation

It is recommended that we continue our present policy at least until such time as there may be developments which indicate a change of policy is desirable or necessary.